

APPENDIX

FISCAL IMPACT OF STATUTORY TAX CHANGES

This report is an update of our history of tax law changes, which was last published in September 2005. The report details the estimated dollar value of individual historical tax law changes enacted by the Legislature since FY 1989.

Included in the report are individual tables for calendar years 1988 through 2006, which provide a listing of tax law changes for each calendar year, and the estimated dollar revenue impact of these changes for ensuing fiscal years. Also included is a one-page summary of the estimated impact of tax law changes for each fiscal year, which provides the estimated marginal dollar value of tax law changes relative to the prior year.

Since the repeal of the state property tax in 1996, the General Fund revenue impact of property tax legislation is often negligible. Instead, property tax law changes typically affect the General Fund by increasing Arizona Department of Education (ADE) expenditures. Generally, any legislation that reduces the local property tax base results in higher General Fund expenditures. Under the statutory K-12 funding formula, the state share of education funding increases whenever local property values decrease.

There are several caveats related to the estimated dollar impact of tax law changes included in this report. The impact of the 0.6% sales tax authorized by Proposition 301 in 2000 has not been included in the following tables. Also, the tobacco tax increase authorized by Proposition 303 in 2002 has not been included.

Additionally, no inflation factors have been applied to the “out year” estimates, which may understate their impact. Also, the estimates do not include a “dynamic” component. The potential behavioral impact on taxpayers of tax cuts or tax increases has not been incorporated in the numbers. It is very difficult to estimate how inflationary changes, as well as changes in taxpayer behavior over a period of time, would have impacted the estimated dollar value of tax law changes enacted in prior years. As a result, cumulative totals for the marginal annual values of the tax law changes are not provided.

And finally, the estimates exclude any non-tax revenue adjustments, as well as “one-time” tax law changes made in order to balance the budget. An example of a non-tax revenue adjustment would be the revenue gained by the state from entry into the federal disproportionate share hospital program. An example of a one-time budget-balancing adjustment would be the fund transfers enacted for FY 2004.

As noted on the attached chart, the estimated incremental value of tax law changes for FY 2007 is a \$(197.8) million decrease. This amount includes a \$(19.2) million incremental impact for the second year of tax law changes enacted in 2005, including elimination of the marriage penalty associated with individual income tax credits, indexing of the standard deduction to the CPI, motion picture tax incentives, and IRS conformity. It also includes the impact of the active duty military pay exemption of \$(10.3) million, which was effective for tax year 2006, and will impact FY 2007 individual income tax collections. In addition, this amount includes a \$(4.0) decrease in corporate income tax collections resulting from corporate consolidated credit legislation enacted in 1994.

The total decrease also includes a \$(174.6) million decrease due to tax changes enacted in 2006. The decrease includes reduced individual income tax revenue of \$(157.3) million due primarily to a 5% rate reduction, which is estimated to have a \$(156.1) million impact, as well as IRS conformity and the solar

energy tax credit. Corporate income tax collections are estimated to be reduced by \$(11.2) million due to a school tuition tax credit (\$10 million), and the aforementioned solar energy credit and IRS conformity. Sales tax collections are estimated to be reduced by \$(1.1) million due to the solar energy credit, an exemption for the purchase of liquid natural gas, and elimination of 3 small sales tax categories. In addition, a health insurance premium tax credit was enacted, which is estimated to reduce insurance premium tax collections by \$(5.0) million.

In addition to the revenue decreases noted above, enacted 2006 tax changes include the suspension of the State Equalization Rate for a three year period. This will result in estimated increases in ADE expenditures of \$215.2 million in FY 2007, \$226.0 million in FY 2008, and \$239.6 million in FY 2009. Also, 2006 tax changes include a property tax exemption for property owned by a non-profit health care provider. This exemption will add approximately \$60,000 per year to ADE expenditures.

The total FY 2007 impact of tax law and other revenue changes is estimated to be \$(482.8) million. This amount consists of the \$(197.8) million incremental decrease resulting from tax law changes enacted in 2006 and prior years, the continuing impact of legislation enacted in 2005, one-time tax law changes totaling \$(59.2) million plus a \$400,000 one-time non-tax revenue change, and the impact on expenditures in the Arizona Department of Education resulting from the suspension of the state equalization rate. These amounts are summarized in the table below.

Details of the tax law changes from 2006, as well as prior year tax law changes, can be found in the appropriate tax category sections of this *FY 2006 Tax Handbook*. Details of the non-tax law revenue changes are not included in the tax handbook, but can be found in the *General Fund Revenue* section of the *FY 2007 Appropriations Report*.

FY 2007 Tax Law and Revenue Changes	
\$ in Millions	
2006 Tax Law Changes	\$ (174.6)
Incremental Impact of Prior Year Changes	<u>(23.2)</u>
Subtotal	(197.8)
Continuing Impact of Prior Year Changes	(14.0)
Other Non-Tax Revenue Changes	3.0
One-Time Tax Law and Revenue Changes	(58.8)
Suspension of State Equalization Rate ^{1/}	<u>(215.2)</u>
Total	\$ (482.8)
1/ Increased Arizona Department of Education expenditures.	

JLBC Staff
September 2006

Estimated Dollar Value of General Fund Tax Changes ^{1/}
(\$ in Thousands)

Fiscal Year	Sales Tax	Individual Income Tax	Corporate Income Tax	Property Tax	Other Taxes	Total ^{2/} Annual Changes
1989	23,100.0	35,400.0	29,000.0	28,200.0	6,000.0	121,700.0
1990	7,000.0	63,900.0	-	22,600.0	15,800.0	109,300.0
1991	(4,404.0)	118,680.0	30,900.0	49,640.0	13,560.0	208,376.0
1992	(377.5)	9,200.0	400.0	-	485.0	9,707.5
1993	(7,972.1)	(13,500.0)	-	(1,343.0)	3,472.0	(19,343.1)
1994	(12,243.5)	(10,776.0)	-	(1,200.0)	(1,233.0)	(25,452.5)
1995	(21,217.0)	(102,826.0)	4,200.0	(850.0)	-	(120,693.0)
1996	(46,151.9)	(202,260.5)	(18,000.0)	(18,256.0)	-	(284,668.4)
1997	(23,449.3)	(950.0)	(60.0)	(150,078.0)	-	(174,537.3)
1998	(59,907.9)	(114,969.0)	2,601.9	-	(105.0)	(172,380.0)
1999	(3,684.2)	(51,091.5)	(7,015.2)	-	(80,000.0)	(141,790.9)
2000	(8,402.3)	(27,177.9)	(13,982.3)	(51.6)	(55,000.0)	(104,614.1)
2001	(3,392.0)	(82,895.0)	(46,486.1)	(30.0)	(25,000.0)	(157,803.1)
2002	(2.1)	9,825.3	(40,759.6)	(2,234.9)	-	(33,171.3)
2003	(2.2)	11,384.5	21,567.0	(1,738.3)	(18,830.0)	12,381.0
2004	-	-	-	7,000.0	50,418.1	57,418.1
2005	-	(1,834.0)	-	(7,000.0)	3,892.0	(4,942.0)
2006	(600.0)	(14,200.0)	(3,250.0)	-	-	(18,050.0)
2007	(1,678.6)	(176,090.0)	(14,990.0)	-	(5,000.0)	(197,758.6)

1/ The estimates exclude one-time increases or decreases in revenue collections that are the result of temporary tax law modifications that were used during the early 1990's and 2000's to balance the state budget. The tax changes also exclude General Fund distribution formula changes and additional expenditures that were the direct result of tax cut legislation.

2/ Each yearly amount represents the marginal dollar value of tax law changes relative to the prior year. For example, the total net tax reduction in FY 2001 relative to FY 2000 was \$(157.8) million.

TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1988

(\$ in Thousands)

	<u>FY 1988</u>	<u>FY 1989</u>
INDIVIDUAL INCOME		
Elimination of Gasoline Deduction Ch. 271		10,000.0
Federal Income Tax Windfall Cap Ch. 271		25,400.0
TOTAL INDIVIDUAL INCOME	<u></u>	<u>35,400.0</u>
CORPORATE INCOME		
Elimin. of Lower Cap. Gains Rate Ch. 271		14,000.0
Controlled Corp. Dividends Conformed Ch. 271		13,000.0
Depletion Deduction Conformed Ch. 271		1,000.0
Elimination of Gasoline Deduction Ch. 271		1,000.0
TOTAL CORPORATE INCOME	<u></u>	<u>29,000.0</u>
SALES AND USE		
Accounting Allowance Cap. - \$500 Ch. 271		3,000.0
No Exemption for Semi-conductors Ch. 271		1,700.0
Taxation of Casual Commercial Rents Ch. 271		3,300.0
Hotel/Motel Tax Increase to 5.5% Ch. 271		4,200.0
Rental Real Property Increase to 5% Ch. 271		10,900.0
TOTAL SALES AND USE	<u></u>	<u>23,100.0</u>
PROPERTY		
Assessment Ratio Freeze to 1987 Ch. 271		1,600.0
QTR for Homeowners Capped Ch. 271		9,300.0
State Education Rate Set at \$0.09 Ch. 271		17,300.0
TOTAL PROPERTY	<u></u>	<u>28,200.0</u>
OTHER		
Increase Ins. Prem. Tax to 2.0% Ch. 4		6,000.0
TOTAL OTHER	<u></u>	<u>6,000.0</u>
TOTAL		<u>121,700.0</u>

Notes:

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- After the first year, amounts represent the total dollar impact for the year, not the incremental amount.

TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1989

(\$ in Thousands)

	<u>FY 1989</u>	<u>FY 1990</u>
INDIVIDUAL INCOME		
Federal Conformity Ch. 211		1,900.0
Eliminate Deduction of Fed. Excise Tax Ch. 211		4,000.0
Federal Windfall Retention Ch. 312		16,800.0
Reduce Consumer Interest Deduction to 50% Ch. 312		39,000.0
Taxation of Previous Exempt Pensions		2,200.0
TOTAL INDIVIDUAL INCOME	<u> </u>	<u>63,900.0</u>
CORPORATE INCOME		
None		
TOTAL CORPORATE INCOME	<u> </u>	<u> </u>
SALES AND USE		
Taxation of Catalog Sales Ch. 312		7,000.0
TOTAL SALES AND USE	<u> </u>	<u>7,000.0</u>
PROPERTY		
Minimum QTR School District Tax Ch. 312		26,000.0
Tax Reduction for Unorg. Districts Ch. 312		(3,400.0)
TOTAL PROPERTY	<u> </u>	<u>22,600.0</u>
OTHER		
Minimum VLT to \$30 Ch. 4		15,800.0
TOTAL OTHER	<u> </u>	<u>15,800.0</u>
TOTAL		<u>109,300.0</u>

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TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1990

(\$ in Thousands)

	<u>FY 1990</u>	<u>FY 1991</u>
INDIVIDUAL INCOME		
Federal Conformity Ch. 63		4,880.0
Tax Simplification - Widened Tax Base, Increased Tax Rates Ch. 3		110,000.0
Limitation of Renters Credit Ch. 3		3,800.0
TOTAL INDIVIDUAL INCOME	<u></u>	<u>118,680.0</u>
CORPORATE INCOME		
Federal Conformity Ch. 63		5,300.0
Tax Simplification - Widened Tax Base Ch. 3		25,600.0
TOTAL CORPORATE INCOME	<u></u>	<u>30,900.0</u>
SALES AND USE		
Elimination of Account Allowance Ch. 3		8,000.0
Tax Reduction - Rental Real Property Ch. 3		(1,800.0)
County Property Tax Relief Ch. 3		(10,000.0)
Rodeo Sales Exemption Ch. 239		(47.0)
Tax Suspension - Federal Bldgs. Ch. 251		(94.0)
Bed Tax to Tourism Ch. 391		(463.0)
TOTAL SALES AND USE	<u></u>	<u>4,404.0</u>
PROPERTY		
Minimum QTR School Dist. Tax Ch. 3		40,700.0
Assessment Ratio Changes Ch. 3		8,940.0
TOTAL PROPERTY	<u></u>	<u>49,640.0</u>
OTHER		
Minimum QTR School Dist. Tax = Salt River Ch. 3		7,000.0
Assessment Ratio Changes = Salt River Ch. 3		660.0
Minimum VLT Reduction Ch. 3		(3,600.0)
Cigarette Tax Increase Ch. 3		9,500.0
TOTAL OTHER	<u></u>	<u>13,560.0</u>
TOTAL		<u>208,376.0</u>

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TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1991

(\$ in Thousands)

	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>
INDIVIDUAL INCOME				
Federal Conformity Ch. 146		7,600.0	7,600.0	7,600.0
Eliminate Ret. Contrib. Subtraction Ch. 155		1,600.0	1,600.0	1,600.0
TOTAL INDIVIDUAL INCOME	<u> </u>	<u>9,200.0</u>	<u>9,200.0</u>	<u>9,200.0</u>
CORPORATE INCOME				
Federal Conformity Ch. 146		400.0	400.0	400.0
TOTAL CORPORATE INCOME	<u> </u>	<u>400.0</u>	<u>400.0</u>	<u>400.0</u>
SALES AND USE				
Membership Camping Tax Ch. 31		122.5	122.5	122.5
Medical Equipment Exemption Ch. 200		(500.0)	(500.0)	(500.0)
TOTAL SALES AND USE	<u> </u>	<u>(377.5)</u>	<u>(377.5)</u>	<u>(377.5)</u>
PROPERTY				
Rental property; Assess. Reduction Ch. 134			(1,200.0)	(2,400.0)
TOTAL PROPERTY	<u> </u>	<u> </u>	<u>(1,200.0)</u>	<u>(2,400.0)</u>
OTHER				
Drano Tax Repeal Ch. 184		320.0	320.0	320.0
Groundwater Fees Ch. 211		165.0	165.0	165.0
TOTAL OTHER	<u> </u>	<u>485.0</u>	<u>485.0</u>	<u>485.0</u>
TOTAL		<u>9,707.5</u>	<u>8,507.5</u>	<u>7,307.5</u>

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TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1992

(\$ in Thousands)

	<u>FY 1992</u>	<u>FY 1993</u>
INDIVIDUAL INCOME		
Increased Exemptions Phase-in Ch. 290		(12,000.0)
Withhold Penalty Forgiveness Ch. 220		(1,500.0)
TOTAL INDIVIDUAL INCOME		<u>(13,500.0)</u>
CORPORATE INCOME		
None		
TOTAL CORPORATE INCOME		
SALES AND USE		
Church Leases Exemption Ch. 29		(50.0)
Restaurant Food: Use Tax Exemp. Ch. 32		(100.0)
Motion Picture Sales Tax Refund Ch. 96		(67.1)
Semi-Trailers, Bowl Games Exemption Ch. 135		(600.0)
Feed and Seed Exemption Ch. 162		(1,600.0)
Lessor Utility Exemptions Ch. 215		(1,921.0)
Manufactured Bldgs. Exemptions Ch. 217		(100.0)
Aircraft Sales Tax Exemptions Ch. 222		(300.0)
Microwave Systems Exemptions Ch. 237		(84.0)
R & D Equipment Exemptions Ch. 238		(250.0)
Repeal Aircraft Exemptions Ch. 290		(2,900.0)
TOTAL SALES AND USE		<u>(7,972.1)</u>
PROPERTY		
Widow/Widower Exemption Ch. 5		(50.0)
Local Telecom. Property Ch. 41		(70.0)
Pipeline Valuations Ch. 51		(50.0)
Sewer/Wastewater Prop. Cent. Valued Ch. 347		27.0
TOTAL PROPERTY		<u>(143.0)</u>

TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1992

(\$ in Thousands)

	<u>FY 1992</u>	<u>FY 1993</u>
OTHER		
VLT: Rental Car Surcharge Ch. 219		600.0
Cigarette Luxury Stamps Ch. 55		(100.0)
Jet Fuel Reduction Ch. 221		(1,028.0)
Insurance Premium Tax Offset Ch. 290		4,000.0
TOTAL OTHER	<u> </u>	<u>3,472.0</u>
TOTAL		<u>(18,143.1)</u>

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TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1993

(\$ in Thousands)

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
INDIVIDUAL INCOME						
Increased Dependent Exemption Ch. 9		(5,600.0)	(5,600.0)	(5,600.0)	(5,600.0)	(5,600.0)
Increased Exemption - Elderly Ch. 9		(2,700.0)	(2,700.0)	(2,700.0)	(2,700.0)	(2,700.0)
Accelerate Medical Deductions Ch. 9		(2,300.0)	(2,300.0)	(2,300.0)	(2,300.0)	(2,300.0)
Alternative Fuel Vehicles Credit Ch. 160		(176.0)	(176.0)	(176.0)	(176.0)	(176.0)
TOTAL INDIVIDUAL INCOME		<u>(10,776.0)</u>	<u>(10,776.0)</u>	<u>(10,776.0)</u>	<u>(10,776.0)</u>	<u>(10,776.0)</u>
CORPORATE INCOME						
None						
TOTAL CORPORATE INCOME						
SALES AND USE						
Phase-out of Commercial Lease Tax Ch. 9		(8,100.0)	(26,300.0)	(47,300.0)	(70,600.0)	(96,300.0)
Feed Lots Exemption Ch. 64		(331.8)	(331.8)	(331.8)	(331.8)	(331.8)
Residential Care Homes - Use Exemp. Ch. 103		(1,300.0)	(1,300.0)	(1,300.0)	(1,300.0)	(1,300.0)
Motion Picture Tax Refund Ch. 104		(20.4)	(20.4)	(20.4)	(20.4)	(20.4)
Retail Classifications Changes Ch. 132		(138.3)	(138.3)	(138.3)	(138.3)	(138.3)
Health Care Centers - Exemptions Ch. 199		(227.0)	(227.0)	(227.0)	(227.0)	(227.0)
Alternative Use Fuel - Exemption Ch. 206		(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
Nursing Care Leases Ch. 212		(976.0)	(976.0)	(976.0)	(976.0)	(976.0)
Sales Deductions - Telecomm. Charges Ch. 240		(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)
TOTAL SALES AND USE		<u>(12,243.5)</u>	<u>(30,443.5)</u>	<u>(51,443.5)</u>	<u>(74,743.5)</u>	<u>(100,443.5)</u>
PROPERTY						
None						
TOTAL PROPERTY						
OTHER						
Wine Commission Fees Ch. 40		(33.0)	(33.0)	(33.0)	(33.0)	(33.0)
Liquor License Fees Ch. 133		(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)
TOTAL OTHER		<u>(1,233.0)</u>	<u>(1,233.0)</u>	<u>(1,233.0)</u>	<u>(1,233.0)</u>	<u>(1,233.0)</u>
TOTAL		<u>(24,252.5)</u>	<u>(42,452.5)</u>	<u>(63,452.5)</u>	<u>(86,752.5)</u>	<u>(112,452.5)</u>

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TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1994

(\$ in Thousands)

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
INDIVIDUAL INCOME			
IRS Conformity Ch. 41		6,200.0	6,200.0
Personal Income Tax Cut Ch. 41		(106,900.0)	(106,900.0)
Medical Savings Account Ch. 45			(175.0)
Water Conservation Inc. Tax Credit Ch. 90		(1,626.0)	(1,874.0)
Income Tax Benefit Rule Ch. 354		(500.0)	(500.0)
Pollution Control Credits Ch. 117			(1,500.0)
TOTAL INDIVIDUAL INCOME	<u> </u>	<u>(102,826.0)</u>	<u>(104,749.0)</u>
CORPORATE INCOME			
IRS Conformity Ch. 41		10,000.0	10,000.0
Lower Corporate Rate Ch. 41		(5,800.0)	(5,800.0)
Consolidated Returns ^{1/} Ch. 41			(13,400.0)
Pollution Control Credits Ch. 117			(1,000.0)
TOTAL CORPORATE INCOME	<u> </u>	<u>4,200.0</u>	<u>(10,200.0)</u>
SALES AND USE			
MITRA; Chemicals Ch. 41			(4,000.0)
Super Bowl Exemption Ch. 145			(481.9)
Personal Property Liquidators Ch. 174		(1,000.0)	(1,000.0)
Prison Food TPT Exemption Ch. 240		(80.0)	(80.0)
University Cars Exemption Ch. 305		(57.0)	(57.0)
Feed Exemption Ch. 307		(655.0)	(655.0)
Amusement/Instruc. Exemption Ch. 312		(825.0)	(825.0)
Tax Accounting Ch. 346			(11,870.0)
Omnibus Alternative Fuels Ch. 353		(400.0)	(400.0)
Government Contract Overhead Ch. 377			(8,000.0)
TOTAL SALES AND USE	<u> </u>	<u>(3,017.0)</u>	<u>(27,368.9)</u>

TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1994

(\$ in Thousands)

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
PROPERTY			
MITRA; 1% Personal Prop./Phasedown Ch. 41			(16,496.0)
Livestock Ch. 102			(660.0)
Homeowners' Rebate Freeze Ch. 41 Not Included-Tax Cut as Spending Increase		0.0	0.0
Telecommunications Cos. Valuations Ch. 271		(850.0)	(850.0)
TOTAL PROPERTY	<u> </u>	<u>(850.0)</u>	<u>(18,006.0)</u>
OTHER			
None	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER			
TOTAL		<u>(102,493.0)</u>	<u>(160,323.9)</u>

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1/ Chapter 41 provided a tax credit totalling \$115 million for certain consolidated returns, which was to be spread over 10 years. In the 11th year, DOR is required to refund any unused credit (refer to Calendar Year 2006 tax law changes page at the end of this section).

TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1995

(\$ in Thousands)

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
INDIVIDUAL INCOME			
Income Tax Reduction Ch. 9		(200,000.0)	(200,000.0)
Summer Schools and Jobs Ch. 236		(337.5)	(337.5)
TOTAL INDIVIDUAL INCOME	<u> </u>	<u>(200,337.5)</u>	<u>(200,337.5)</u>
CORPORATE INCOME			
Consolidated Tax Returns Ch. 31		(400.0)	(400.0)
Lower Corporate Rate Ch. 41		(2,200.0)	(2,200.0)
Pollution Control Credits Ch. 117		(1,000.0)	(1,000.0)
TOTAL CORPORATE INCOME	<u> </u>	<u>(3,600.0)</u>	<u>(3,600.0)</u>
SALES AND USE			
Motion Picture Tax Refund Ch. 98		(100.0)	(100.0)
Sales Tax Amenities Ch. 267		(700.0)	(700.0)
TOTAL SALES AND USE	<u> </u>	<u>(800.0)</u>	<u>(800.0)</u>
PROPERTY			
Personal Property Tax Reductions Ch. 9			(17.3)
Property Tax Reduc. Min. Value Ch. 137			(78.0)
Possessory Interest; Repeal Ch. 294		(1,100.0)	(1,100.0)
TOTAL PROPERTY	<u> </u>	<u>(1,100.0)</u>	<u>(1,178.0)</u>
OTHER			
None			
TOTAL OTHER	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u> </u>	<u>(205,837.5)</u>	<u>(205,915.5)</u>

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TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1996

(\$ in Thousands)

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
INDIVIDUAL INCOME			
Income Tax Definitions Ch. 49		(860.0)	(860.0)
Neighborhood Protection Deductions Ch. 309		(90.0)	(90.0)
TOTAL INDIVIDUAL INCOME	<u> </u>	<u>(950.0)</u>	<u>(950.0)</u>
CORPORATE INCOME			
Neighborhood Protection Act Ch. 309		(60.0)	(60.0)
Enterprise Zones: Tax Credits Ch. 344			(1,575.1)
TOTAL CORPORATE INCOME	<u> </u>	<u>(60.0)</u>	<u>(1,635.1)</u>
SALES AND USE			
Arts Fund; Partnership Ch. 186			(1,475.9)
Prime Contracting Sales Tax Ch. 319			(30,000.0)
Movie Studios Incentives Ch. 322		(49.3)	(49.3)
Homeowners Organizations Ch. 326		(100.0)	(100.0)
TOTAL SALES AND USE	<u> </u>	<u>(194.3)</u>	<u>(31,625.2)</u>
PROPERTY			
Property Tax Reductions Ch. 2 - Does not include \$50M in spending		(150,000.0)	(150,000.0)
TOTAL PROPERTY	<u> </u>	<u>(150,000.0)</u>	<u>(150,000.0)</u>
OTHER			
TOTAL OTHER	<u> </u>	<u> </u>	<u> </u>
TOTAL		<u>(151,159.3)</u>	<u>(184,210.3)</u>

Notes:

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- After the first year, amounts represent the total dollar impact for the year, not the incremental amount.

TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1997

(\$ in Thousands)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
INDIVIDUAL INCOME			
Tax Credit; School Tuition Organizations Ch. 48			(8,443.2)
Welfare Reform; Arizona Works Ch. 300			(8,030.8)
IRS Conformity Ch. 63		(3,330.0)	(3,330.0)
Energy Conservation Incentives Ch. 137			(34.1)
Income Adjustments Ch. 238		(749.0)	(749.0)
Air Quality Omnibus Ch. 274		(250.0)	(250.0)
Savings Account; Postsecondary Ed. Ch. 171			(20.4)
Tax Relief Act of 1997 - Rates Reductions Ch. 8		(110,800.0)	(110,800.0)
TOTAL INDIVIDUAL INCOME	<u> </u>	<u>(115,129.0)</u>	<u>(131,657.5)</u>
CORPORATE INCOME			
IRS Conformity Ch. 62		4,177.0	4,177.0
Welfare Reform; Arizona Works Ch. 300			(585.2)
TOTAL CORPORATE INCOME	<u> </u>	<u>4,177.0</u>	<u>3,591.8</u>
SALES AND USE			
Light Vehicle Fees Ch. 110		(2,000.0)	(2,000.0)
Used Oil Amendments Ch. 178		(92.2)	(92.2)
Use Tax Exemptions - Libraries Ch. 227		(36.9)	(36.9)
Sales Tax; Nursing Homes Ch. 245			(2,000.0)
Omnibus Tax Changes Ch. 274		(542.9)	(542.9)
TOTAL SALES AND USE	<u> </u>	<u>(2,672.0)</u>	<u>(4,672.0)</u>
PROPERTY			
None			
TOTAL PROPERTY	<u> </u>	<u> </u>	<u> </u>
OTHER			
Agriculture Omnibus Ch. 228		(90.0)	(90.0)
Health Care Omnibus Ch. 268		(15.0)	(15.0)
TOTAL OTHER	<u> </u>	<u>(105.0)</u>	<u>(105.0)</u>
TOTAL		<u>(113,729.0)</u>	<u>(132,842.7)</u>

Notes:

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TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1998

(\$ in Thousands)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
INDIVIDUAL INCOME				
Prop. 200 - Campaign Finance			(1,279.1)	(1,279.1)
Alternative Fuels Ch. 221		(923.0)	(2,854.8)	0.0
Omnibus Taxation of 1998 Ch. 283	160.0	(3,240.0)	(6,410.0)	(6,410.0)
Tax Relief Act of 1998 - Rates Reductions Ch. 3		(30,000.0)	(50,000.0)	(50,000.0)
Wheels to Work Ch. 208			(1,140.0)	(1,140.0)
Tax Exemptions; Exempts; Credits Ch. 286			(1,347.0)	(1,347.0)
TOTAL INDIVIDUAL INCOME	<u>160.0</u>	<u>(34,163.0)</u>	<u>(63,030.9)</u>	<u>(60,176.1)</u>
CORPORATE INCOME				
Income Tax Credits; Coal Taxes Ch. 137		(1,600.0)	(1,600.0)	(1,600.0)
Tax Relief Act of 1998 - Rates Reductions and Deduction Elimination Ch. 3		(10,000.0)	(20,000.0)	(20,000.0)
Wheels to Work Ch. 208			(1,140.0)	(1,140.0)
Tax Exemptions, Deductions Ch. 286			(577.3)	(577.3)
TOTAL CORPORATE INCOME	<u></u>	<u>(11,600.0)</u>	<u>(23,317.3)</u>	<u>(23,317.3)</u>
SALES AND USE				
Sales and Use; Printing Ch. 132		(100.0)	(200.0)	(200.0)
Flight Property Exemptions Ch. 177		(110.0)	(30.0)	(30.0)
Alternative Fuels Ch. 221		(577.0)	(1,434.6)	(1,434.6)
Tax Exemptions, Deductions Ch. 286	(60.0)	(857.2)	(296.5)	(296.5)
TOTAL SALES AND USE	<u>(60.0)</u>	<u>(1,644.2)</u>	<u>(1,961.1)</u>	<u>(1,961.1)</u>
PROPERTY				
Telecommunications Ch. 220			(19.3)	(19.3)
Widow, Widowers Exemption Ch. 261			(32.3)	(32.3)
TOTAL PROPERTY	<u></u>	<u></u>	<u>(51.6)</u>	<u>(51.6)</u>
OTHER				
Tax Relief Act of 1998 - VLT Rate Reduction Ch. 3		(80,000.0)	(100,000.0)	(100,000.0)
TOTAL OTHER	<u></u>	<u>(80,000.0)</u>	<u>(100,000.0)</u>	<u>(100,000.0)</u>
TOTAL	<u>100.0</u>	<u>(127,407.2)</u>	<u>(188,360.9)</u>	<u>(185,506.1)</u>

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TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1999

(\$ in Thousands)

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
INDIVIDUAL INCOME				
Public Retirement Benefits Ch. 50			(1,766.7)	(1,766.7)
Alternative Fuel Vehicles Ch. 168			(427.1)	
Taxpayer Bill of Rights Ch. 250		(200.0)	(600.0)	(400.0)
IRS Conformity Ch. 317	(240.0)	2,330.0	690.0	(3,190.0)
TOTAL INDIVIDUAL INCOME	<u>(240.0)</u>	<u>2,130.0</u>	<u>(2,103.8)</u>	<u>(5,356.7)</u>
CORPORATE INCOME				
Tax Relief and Fiscal Control (Trigger) Rate Reduced from 8.0% to 7.0%; R&D Cap. Removed Ch. 5			(37,000.0)	(74,000.0)
Income Allocation (Airline Bill) Ch. 190			(700.0)	(1,400.0)
Alternative Fuel Vehicles Ch. 168			(1,052.1)	
IRS Conformity Ch. 317	5,170.0	2,920.0	2,920.0	890.0
TOTAL CORPORATE INCOME	<u>5,170.0</u>	<u>2,920.0</u>	<u>(35,832.1)</u>	<u>(74,510.0)</u>
SALES AND USE				
Sales Tax Exemption; Expendables Ch. 153	(100.0)	(3,500.0)	(3,500.0)	(3,500.0)
Tax Relief and Fiscal Control (Trigger) Mining Severance Tax Reduction Ch. 5		(4,667.0)	(8,000.0)	(8,000.0)
TOTAL SALES AND USE	<u>(100.0)</u>	<u>(8,167.0)</u>	<u>(11,500.0)</u>	<u>(11,500.0)</u>
PROPERTY				
Omni. Reconciliation - Personal Property (Expend.) Ch. 5 Does not include \$21.4M spending			(30.0)	(30.0)
TOTAL PROPERTY			<u>(30.0)</u>	<u>(30.0)</u>
OTHER				
Omni. Reconciliation - VLT Cut Ch. 5		(35,000.0)	(60,000.0)	(60,000.0)
TOTAL OTHER		<u>(35,000.0)</u>	<u>(60,000.0)</u>	<u>(60,000.0)</u>
TOTAL	<u>4,830.0</u>	<u>(38,117.0)</u>	<u>(109,465.9)</u>	<u>(151,396.7)</u>

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TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2000

(\$ in Thousands)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
INDIVIDUAL INCOME				
Renewable Energy Incentives Ch. 214				(57.0)
Technology Training Credit Ch. 239			(300.0)	(300.0)
IRS Conformity Ch. 252	(680.0)	(2,796.0)	(3,260.0)	(636.0)
Agricultural Preservation District Ch. 267			(100.0)	(100.0)
Character Instruction Tax Credit Ch. 313			(75.0)	(75.0)
Handicapped Preschoolers Tax Credit Ch. 394			(100.0)	(100.0)
Clean Air Act Ch. 405 (neighborhood electric vehicle credit)		(15,750.0)		
Clean Air Act ^{1/} Ch. 405 (alt fuel vehicle credit)		(59,100.0)	(26,700.0)	(3,100.0)
Alternative Fuels Program Changes Ch. 1 (7th Special Session)		(4,427.0)		
Low-income Tax Credit ^{1/} Ch. 1 (5th Special Session)			(20,100.0)	(20,100.0)
Tuition Tax Credit Ch. 1 (5th Special Session)			(3,750.0)	(3,847.5)
TOTAL INDIVIDUAL INCOME	(680.0)	(82,073.0)	(54,385.0)	(28,315.5)
CORPORATE INCOME				
Technology Training Credit Ch. 239			(2,500.0)	(2,500.0)
IRS Conformity Ch. 252	(15.0)	21.0	175.0	149.0
Clean Air Act Ch. 405			192.3	192.3
Clean Air Act ^{1/} Ch. 405 (alt fuel vehicle credit)		(7,300.0)	(6,600.0)	(1,600.0)
TOTAL CORPORATE INCOME	(15.0)	(7,279.0)	(8,732.7)	(3,758.7)
SALES AND USE				
Renewable Energy Incentives Ch. 214		(40.7)	(42.8)	(45.0)
Spaceport Launch Site Exemption Ch. 359	(18.4)	(36.7)	(36.7)	(36.7)
TOTAL SALES AND USE	(18.4)	(77.4)	(79.5)	(81.7)
PROPERTY				
Renewable Energy Incentives Ch. 214				(8.8)
Cemeteries; Property Tax Exemption Ch. 258				(7.3)
Electrical Generation Facilities Ch. 384			(2,234.9)	(3,957.1)
TOTAL PROPERTY			(2,234.9)	(3,973.2)
OTHER				
None				
TOTAL OTHER				
TOTAL	(713.4)	(89,429.4)	(65,432.1)	(36,129.1)

Notes:

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not the incremental amount.

^{1/} Amounts for FY 2001, FY 2002, and FY 2003 represent actual impact rather than initial estimated impact.

Totals do not include approximately \$(12.7) million paid out for consumer loss recovery, for a total alternative fuel impact of approximately \$(117) million.

TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2001

(\$ in Thousands)

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
INDIVIDUAL INCOME			
Conditional Appropriations; Taxation (reduce standard deduction) Ch. 235		(15,000.0)	(15,000.0)
Department of Revenue; Confidentiality Ch. 261		1,400.0	1,300.0
IRS Conformity Ch. 296	(123.0)	(280.0)	(385.0)
Retirement Benefits; Defined Contribution Ch. 380		(300.0)	(300.0)
Equity Tax Act; Archaic Laws Ch. 382		(552.8)	(552.8)
TOTAL INDIVIDUAL INCOME	<u>(123.0)</u>	<u>(14,732.8)</u>	<u>(14,937.8)</u>
CORPORATE INCOME			
IRS Conformity Ch. 296	(470.0)	(1,098.0)	(1,315.0)
Enterprise Zone Program; Extension Ch. 370 (impact can not be determined)			
TOTAL CORPORATE INCOME	<u>(470.0)</u>	<u>(1,098.0)</u>	<u>(1,315.0)</u>
SALES AND USE			
None			
TOTAL SALES AND USE	<u></u>	<u></u>	<u></u>
PROPERTY			
None			
TOTAL PROPERTY	<u></u>	<u></u>	<u></u>
OTHER			
None			
TOTAL OTHER	<u></u>	<u></u>	<u></u>
TOTAL	<u>(593.0)</u>	<u>(15,830.8)</u>	<u>(16,252.8)</u>

Notes:

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- After the first year, amounts represent the total dollar impact for the year, not the incremental amount.

TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2002 *

(\$ in Thousands)

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
INDIVIDUAL INCOME				
IRS Conformity Ch. 344		(14,480.0)	(14,480.0)	(14,480.0)
TOTAL INDIVIDUAL INCOME	<u> </u>	<u>(14,480.0)</u>	<u>(14,480.0)</u>	<u>(14,480.0)</u>
CORPORATE INCOME				
Repeal Dividends Income Tax Subtraction Ch. 50		11,200.0	11,200.0	11,200.0
IRS Conformity Ch. 344		5,610.0	5,610.0	5,610.0
TOTAL CORPORATE INCOME	<u> </u>	<u>16,810.0</u>	<u>16,810.0</u>	<u>16,810.0</u>
SALES AND USE				
None				
TOTAL SALES AND USE	<u> </u>	<u> </u>	<u> </u>	<u> </u>
PROPERTY				
None				
TOTAL PROPERTY	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER				
IRS Conformity - Estate Tax Ch. 344		(18,830.0)	(38,140.0)	(57,740.0)
TOTAL OTHER	<u> </u>	<u>(18,830.0)</u>	<u>(38,140.0)</u>	<u>(57,740.0)</u>
TOTAL		<u>(16,500.0)</u>	<u>(35,810.0)</u>	<u>(55,410.0)</u>

Notes:

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* Includes 45th Legislature, 2nd Special Session (December 2001), 3rd Special Session (March 2002), and 2nd Regular Session.

TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2003 *

(\$ in Thousands)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
INDIVIDUAL INCOME			
None			
TOTAL INDIVIDUAL INCOME	<u> </u>	<u> </u>	<u> </u>
CORPORATE INCOME			
None			
TOTAL CORPORATE INCOME	<u> </u>	<u> </u>	<u> </u>
SALES AND USE			
None			
TOTAL SALES AND USE	<u> </u>	<u> </u>	<u> </u>
PROPERTY			
Flight Property Tax		7,000.0	0.0
Ch. 263			
TOTAL PROPERTY	<u> </u>	<u>7,000.0</u>	<u>0.0</u>
OTHER			
Remove Medicaid Exemption/Ins. Premium Tax		69,728.1	92,970.1
Ch. 136			
TOTAL OTHER	<u> </u>	<u>69,728.1</u>	<u>92,970.1</u>
TOTAL		<u>76,728.1</u>	<u>92,970.1</u>

Notes:

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* Includes 45th Legislature, 6th Special Session (November 2002), and 46th Legislature, 1st Special Session (March 2003), and 1st Regular Session.

TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2004

(\$ in Thousands)

	<u>FY 2004</u>	<u>FY 2005</u>
INDIVIDUAL INCOME		
IRS Conformity Ch. 196		(1,800.0)
Stillborn Children Exemption Ch. 214		(34.0)
TOTAL INDIVIDUAL INCOME	<u> </u>	<u>(1,834.0)</u>
CORPORATE INCOME		
None		
TOTAL CORPORATE INCOME	<u> </u>	<u> </u>
SALES AND USE		
None		
TOTAL SALES AND USE	<u> </u>	<u> </u>
PROPERTY		
None		
TOTAL PROPERTY	<u> </u>	<u> </u>
OTHER		
Liquor Fees Ch. 275		250.0
TOTAL OTHER	<u> </u>	<u>250.0</u>
TOTAL		<u>(1,584.0)</u>

Notes:

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TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2005

(\$ in Thousands)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
INDIVIDUAL INCOME				
IRS Conformity Ch. 196		(5,400.0)	(5,090.0)	(7,950.0)
Elimination of "Marriage Penalty" Ch. 334		(6,400.0)	(12,800.0)	(12,800.0)
Index Standard Deduction to CPI Ch. 334		(2,400.0)	(4,800.0)	(7,200.0)
Active Duty Military Pay Exemption Ch. 303			(10,300.0)	^{1/}
Graywater Tax Credit ^{2/} Ch. 292				(250.0)
Small Business Investment Credit Ch. 316				^{3/}
TOTAL INDIVIDUAL INCOME	<u> </u>	<u>(14,200.0)</u>	<u>(32,990.0)</u>	<u>(28,200.0)</u>
CORPORATE INCOME				
IRS Conformity Ch. 196		(3,000.0)	5,210.0	9,410.0
AZ National Guard Employment Credit Ch. 264		(250.0)	(250.0)	(250.0)
Motion Picture Tax Incentives Ch. 317			(8,000.0)	(9,200.0)
Graywater Tax Credit ^{2/} Ch. 292				(500.0)
Corporate Sales Factor ^{4/} Ch. 289				(32,000.0)
Corporate Consolidated Credit ^{5/} Laws 1994 Ch. 41			(4,000.0)	(55,500.0)
TOTAL CORPORATE INCOME	<u> </u>	<u>(3,250.0)</u>	<u>(7,040.0)</u>	<u>(88,040.0)</u>
SALES AND USE				
Motion Picture Tax Incentives Ch. 317		(600.0)	(1,200.0)	(1,300.0)
TOTAL SALES AND USE	<u> </u>	<u>(600.0)</u>	<u>(1,200.0)</u>	<u>(1,300.0)</u>
PROPERTY				
Business Property Tax Reduction ^{6/} Ch. 302				
Increased Widows Property Tax Exemption ^{7/} Ch. 309				
TOTAL PROPERTY	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER				
None				
TOTAL OTHER	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL		<u>(18,050.0)</u>	<u>(41,230.0)</u>	<u>(117,540.0)</u>

Notes:

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1/ Chapter 303 established a one-time active duty pay exemption. Laws 2006, Chapter 342 (see following page) made the exemption permanent, as well as expanding the exemption to National Guard or Reserves..

2/ Individual and corporate credit combined capped at \$750,000 per year for 5 years beginning in FY 2008.

3/ Credit capped at \$20 million for tax years 2007 through 2014. No estimates of impact by year.

4/ Estimated impact of \$(32) million in FY 2008, \$(62) million in FY 2009, \$(91) million in FY 2010, and \$(120) million when fully implemented in FY 2011.

5/ Legislation enacted in 1994 provided a tax credit totalling \$115 million for certain consolidated returns which was to be spread over 10 years. In the 11th year, DOR is required to refund any unused credit. The amounts indicated above are DOR's estimates for the remaining credits to be claimed in FY 2007 and FY 2008.

6/ Impact will occur as increased Arizona Department of Education expenditures. The cost is expected to be \$12.3 million in FY 2007, \$26.6 million in FY 2008, \$42.8 million in FY 2009, \$61.5 million in FY 2010, \$82.7 million in FY 2011, \$102.8 million in FY 2012, \$114.2 million in FY 2013, and \$126.5 million in FY 2015. Full implementation in FY 2016 is expected to cost \$140 million.

7/ Impact will occur as increased Arizona Department of Education expenditures. The cost is expected to be \$500,000 in FY 2007 and \$512,000 in FY 2008.

TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2006

(\$ in Thousands)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
INDIVIDUAL INCOME			
IRS Conformity Ch. 357		(700.0)	400.0
Individual Income Tax Rate Reduction Ch. 354		(156,100.0)	(334,000.0)
Solar Energy Device Credit Ch. 333		(500.0)	(500.0)
Active Duty Military Pay Exemption ^{1/} Ch. 342			(12,200.0)
TOTAL INDIVIDUAL INCOME	<u> </u>	<u>(157,300.0)</u>	<u>(346,300.0)</u>
CORPORATE INCOME			
IRS Conformity Ch. 357		(700.0)	(800.0)
Solar Energy Device Credit Ch. 333		(500.0)	(500.0)
School Tuition Tax Credit ^{2/} Chs. 14 & 325		(10,000.0)	(12,000.0)
TOTAL CORPORATE INCOME	<u> </u>	<u>(11,200.0)</u>	<u>(13,300.0)</u>
SALES AND USE			
Solar Energy Device Credit Ch. 333		(500.0)	(500.0)
Exemption for Purchase of Liquid Natural Gas Ch. 371		(378.6)	(378.6)
Tax Simplification-Eliminate 3 Categories Ch. 354		(200.0)	(200.0)
TOTAL SALES AND USE	<u> </u>	<u>(1,078.6)</u>	<u>(1,078.6)</u>
PROPERTY			
State Equalization Rate Suspension ^{3/} Ch. 354			
Nonprofit Hospital Property Tax Exemption ^{4/} Ch. 327			
TOTAL PROPERTY	<u> </u>	<u> </u>	<u> </u>
OTHER			
Health Insurance Premium Tax Credit Ch. 378		(5,000.0)	(5,000.0)
TOTAL OTHER	<u> </u>	<u>(5,000.0)</u>	<u>(5,000.0)</u>
TOTAL		<u>(174,578.6)</u>	<u>(365,678.6)</u>

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1/ Chapter 342 made the one-time active duty pay exemption enacted by Laws 2005, Chapter 303 permanent.

In addition, the act expands the exemption to include active National Guard or Reserves.

2/ Credit capped at \$10 million for FY 2007. The cap will increase 20% annually beginning in FY 2008.

3/ Impact will occur as increased Arizona Department of Education expenditures. The cost is expected to be \$215.2 million in FY 2007, \$226.0 million in FY 2008, and \$239.6 million in FY 2009

4/ Impact will occur as increased Arizona Department of Education expenditures. The cost is expected to be \$60,000 per year beginning in FY 2007.